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March 24, 2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602

RECEIVED

MAR 27 2006

PUBLIC SERVICE
COMMISSION

RE: Equitable Gas Company
Case No.
GCR Filing Proposed to Become
Effective May 1, 2006

Case No. 2006-00177

Dear Ms. O'Donnell:

Enclosed are an original and five copies of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing for the calendar quarter ended January 31, 2006, for rates proposed to become effective May 1, 2006. Also included are an original and five copies of One Hundred Fourteenth Revised Sheet No. 2 and One Hundred Sixth Revised Sheet No. 5, to Equitable's PSC Kentucky No. 1 Tariff which are being filed pursuant to the Purchased Gas Adjustment Provision of that Tariff.

This filing proposes a GCR rate of \$11.1168 per Mcf of sales, a decrease of \$4.7190 per Mcf from the current PGA which was approved in Case No. 2006-00004 effective February 2, 2006.

For the purpose of forecasting its (EGC), Equitable is assuming purchases based on the Appalachian Index price of gas for Columbia Transmission. This price is developed by averaging the estimated cost of gas over 3 months beginning May 2006 and adding an additional \$0.27 Basis.

Schedule 1 of the filing is a summary of the proposed PGA rate components. Schedule 2 is a summary of the expected gas costs based on purchases for the 12 months ended January 2006. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended January 2006.

Schedules 4 and 5 are summaries of ACA components which are presently unreconciled.

Yours truly,

Robert M. Narkevic
Manager, Rates

Enclosures

EQUITABLE GAS COMPANY
A DIVISION OF EQUITABLE RESOURCES, INC.
225 NORTH SHORE DRIVE
PITTSBURGH, PA 15212-5861

ONE HUNDRED FOURTEENTH REVISED SHEET NO. 2
CANCELING
ONE HUNDRED THIRTEENTH REVISED SHEET NO. 2
P.S.C.K.Y. NO. 1

RATE

Customer: Various

Expiration: See "Special Conditions"

Point of Delivery:

At connection along Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky included in Equitable Gas Company's service area.

Rate:

Customer Service Charge: \$7.50

| | <u>Base Rate</u> | + | <u>Gas Cost Recovery Rate*</u> | = | <u>Total Rate</u> | |
|---------|------------------|---|--------------------------------|---|-------------------|-----|
| All Mcf | \$2.1322 | | \$11.1168 per MCF | | \$13.2490 | (D) |

The minimum monthly bill shall be \$7.50.

*The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 4 and 5 of this tariff.

The following adjustment shall be made to the above rates:

- (1) Customer bills may also include gross receipts license taxes as authorized under the Kentucky Education Reform Act of 1990.

Gas delivered pursuant to this tariff is from pipelines owned and operated by Equitable Gas Company's supplier and all gas sold hereunder is made available by said supplier. Equitable shall have the right to abandon gas service to any customer served from any line which is no longer operated by its supplier for any reason whatsoever. All gas sold and delivered under this Tariff shall be delivered at the varying pressures of Equitable's supplier's pipeline, and it shall be the responsibility of the customer to supply, maintain, and operate the necessary regulator and related equipment for the customer's use.

(D) Indicates Decrease.

ISSUED: March 24, 2005

EFFECTIVE: May 1, 2006

D. L. Frutchey
Senior Vice President

PURCHASED GAS ADJUSTMENT CLAUSE

(Continued)

Definitions

For purposes of this tariff:

- a. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased gas volumes during the twelve-month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
- b. "GCR" means the quarterly updated gas cost recovery rate and is the sum of the expected gas cost component plus the supplier refund adjustment plus the actual cost adjustment plus the balancing adjustment; i.e., $GCR = EGC + RA + ACA + BA$.
- c. "Calendar Quarters" means each of the four three-month periods of (1) February, March, and April; (2) May, June, and July; (3) August, September, and October; (4) November, December, and January.
- d. "Reporting Period" means the three-month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas cost recovery rates; i.e., the calendar quarters ended April 30, July 31, October 31, and January 31 of each year.

Gas Cost Recovery Rate (GCR):

| | | |
|--------------------------------------|---------------|-----|
| Expected Gas Supply Cost (EGC) | 10.9280 | (D) |
| Refund Adjustment (RA) | 0.0000 | |
| Actual Cost Adjustment (ACA) | (0.0299) | (D) |
| Balance Adjustment (BA) | <u>0.2187</u> | (I) |
| Total Gas Cost Recovery Rate per Mcf | 11.1168 | (D) |

(D) Indicates Decrease. (I) Indicates Increase.

ISSUED: March 24, 2006

EFFECTIVE: May 1, 2006

D. L. Frutchey
Senior Vice President

Equitable Gas Company
Kentucky Division

Summary of Gas Cost Recovery Rate
Proposed to Become Effective for the
Period May 1, 2006 through July 31, 2006

| Line No. | <u>Units</u> (1) | <u>Amount</u> (2) | |
|--|---------------------|----------------------|-----------------------|
| <u>GCR Components</u> | | | |
| 1 | \$/Mcf | 10.9280 | |
| 2 | \$/Mcf | 0.0000 | |
| 3 | \$/Mcf | (0.0299) | |
| 4 | \$/Mcf | <u>0.2187</u> | |
| 5 | \$/Mcf | <u>11.1168</u> | |
| | | | (EGC + RA + ACA + BA) |
| <u>Expected Gas Cost Calculation (EGC)</u> | | | |
| 6 | \$ | 2,727,191 | (a) |
| 7 | Mcf | <u>249,560</u> | (b) |
| 8 | \$/Mcf | <u>10.9280</u> | |
| | | | (Line 6 ÷ Line 7) |
| <u>Supplier Refund Adjustment Summary</u> | | | |
| 9 | \$/Mcf | 0.0000 | (c) |
| 10 | \$/Mcf | 0.0000 | (d) |
| 11 | \$/Mcf | 0.0000 | (e) |
| 12 | \$/Mcf | <u>0.0000</u> | (f) |
| 13 | \$/Mcf | <u>0.0000</u> | |
| <u>Actual Cost Adjustment Summary</u> | | | |
| 14 | \$/Mcf | (0.6309) | (g) |
| 15 | \$/Mcf | 0.4134 | (d) |
| 16 | \$/Mcf | (0.2423) | (e) |
| 17 | \$/Mcf | 0.4299 | (f) |
| 18 | \$/Mcf | <u>(0.0299)</u> | |
| <u>Balance Adjustment Summary</u> | | | |
| 19 | \$/Mcf | (0.0044) | (h) |
| 20 | \$/Mcf | 0.0166 | (d) |
| 21 | \$/Mcf | 0.0335 | (e) |
| 22 | \$/Mcf | 0.1730 | (f) |
| 23 | \$/Mcf | <u>0.2187</u> | |

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during November 2005 through January 2006.

(d) As approved in Case No. 2006-00004.

(e) As approved in Case No. 2005-00407.

(f) As approved in Case No. 2005-00269.

(g) See Schedule 4.

(h) See Schedule 5.

Equitable Gas Company
Kentucky Division

Calculation of Expected Gas Cost Based on Purchases
for the Twelve Months Ended January 2006 At Supplier
Costs Estimated to Become Effective May 1, 2006

| | <u>Purchases</u> (1) Mcf | <u>Purchases</u> (2) Dth | <u>Average Rate</u> (3) \$/Dth (a) | <u>Annual Cost</u> (4) \$ (2) x (3) |
|------------------|--------------------------------|--------------------------------|---|--|
| <u>PURCHASES</u> | | | | |
| 1 February 2005 | 51,572 | 61,229 | 8.9712 | 549,298 |
| 2 March | 39,706 | 46,379 | 8.9712 | 416,075 |
| 3 April | 23,667 | 27,730 | 8.9712 | 248,771 |
| 4 May | 14,213 | 17,834 | 8.9712 | 159,992 |
| 5 June | 7,920 | 9,686 | 8.9712 | 86,895 |
| 6 July | 5,358 | 6,729 | 8.9712 | 60,367 |
| 7 August | 4,425 | 5,567 | 8.9712 | 49,943 |
| 8 September | 4,099 | 5,150 | 8.9712 | 46,202 |
| 9 October | 4,813 | 6,022 | 8.9712 | 54,025 |
| 10 November | 15,849 | 19,876 | 8.9712 | 178,312 |
| 11 December | 37,166 | 46,742 | 8.9712 | 419,332 |
| 12 January 2006 | 40,771 | 51,050 | 8.9712 | 457,980 |
| 13 Total | <u>249,560</u> | <u>303,994</u> | <u>-</u> | <u>2,727,191</u> |

(a) Estimated average rate based on average Nymex prices plus TCO basis for a 3 month period, plus \$0.72065/Dth VTS Rate from Kentucky West Virginia Gas Company, and adjusted for 11% retainage.

Equitable Gas Company
Kentucky Division

Summary of Sales

| <u>Line</u> <u>No.</u> | <u>Month</u> | <u>Sales</u> (1) Mcf |
|---------------------------|---------------|----------------------------|
| 1 | February 2005 | 51,572 |
| 2 | March | 39,706 |
| 3 | April | 23,667 |
| 4 | May | 14,213 |
| 5 | June | 7,920 |
| 6 | July | 5,358 |
| 7 | August | 4,425 |
| 8 | September | 4,099 |
| 9 | October | 4,813 |
| 10 | November | 15,849 |
| 11 | December | 37,166 |
| 12 | January 2006 | 40,771 |
| 13 | Total | <u>249,560</u> |

Equitable Gas Company
Kentucky Division

Calculation of Actual Cost Adjustment for the Period
November 2005 through January 2006

| <u>Description</u> | <u>Unit</u> | <u>November</u> | <u>December</u> | <u>January</u> | <u>Total</u> |
|---|-------------|-----------------|-----------------|----------------|--------------|
| | (1) | (2) | (3) | (4) | (5) |
| 1 Supply Volume Per Invoice | Dth | 19,876 | 46,742 | 51,050 | 117,668 |
| 2 Supply Cost Per Books | \$ | 258,529 | 458,325 | 428,576 | 1,145,430 |
| 3 Sales Volume | Mcf | 15,849 | 37,166 | 40,771 | 93,786 |
| 4 EGC Rate in Effect (a) | \$/Mcf | 13.8921 | 13.8921 | 13.8921 | |
| 5 EGC Revenue (Line 3 x Line 4) | \$ | 220,183 | 516,308 | 566,396 | 1,302,887 |
| 6 Over/(Under) Recovery (Line 5 - Line 2) | \$ | (38,346) | 57,983 | 137,820 | 157,457 |
| 7 Total Current Quarter Actual Cost to be included in rates | | | | | 157,457 |
| 8 Sales for the 12 Months Ended January 2006 | | | | | 249,560 |
| 9 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8) | | | | | (0.6309) |

(a) Approved in Case No. 2005-00407.

Equitable Gas Company
Kentucky Division

Calculation of Balancing Adjustment for
Over/(Under) Recoveries of Gas Cost Incurred
During the Period February 2005 through January 2006

| | Sales | ACA Rate | ACA Recovery | Over/(Under) Collection Balance |
|--|----------------|-------------|-----------------|---------------------------------------|
| | (1) | (2) | (3) | (4) |
| | Mcf | \$/Mcf | \$ (1) x (2) | \$ |
| Balance Approved by the Commission in Case No. 2004-00512 | | | | 7,637 |
| <u>Actual</u> | | | | |
| February 2005 | 51,572 | (0.0262) | (1,351) | 6,285 |
| March | 39,706 | (0.0262) | (1,040) | 5,245 |
| April | 23,667 | (0.0262) | (620) | 4,625 |
| May | 14,213 | (0.0262) | (372) | 4,253 |
| June | 7,920 | (0.0262) | (208) | 4,045 |
| July | 5,358 | (0.0262) | (140) | 3,905 |
| August | 4,425 | (0.0262) | (116) | 3,789 |
| September | 4,099 | (0.0262) | (107) | 3,681 |
| October | 4,813 | (0.0262) | (126) | 3,555 |
| November | 15,849 | (0.0262) | (415) | 3,140 |
| December | 37,166 | (0.0262) | (974) | 2,166 |
| January 2006 | 40,771 | (0.0262) | (1,068) | 1,098 |
| Total | <u>249,560</u> | | <u>(6,538)</u> | |

Estimated Annual Sales 249,560 Mcf

Balancing Adjustment (\$0.0044) /Mcf
(\$1,098 ÷ 249,560 Mcf)

Equitable Gas Company
Kentucky Division

Summary of Proposed Tariff Rates

| | <u>Current Tariff Rate</u> | <u>Current GCR Rate</u> | <u>Proposed GCR Rate</u> | <u>Difference</u> | <u>Proposed Tariff Rate</u> |
|---------|--------------------------------|-----------------------------|------------------------------|-------------------|---------------------------------|
| | (1) | (2) | (3) | (4) | (5) |
| | \$/Mcf | \$/Mcf | \$/Mcf | \$/Mcf | \$/Mcf |
| | (a) | (b) | | (3) - (2) | (1) + (4) |
| All MCF | 17.9680 | 15.8358 | 11.1168 | (4.7190) | 13.2490 |

- (a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.
(b) Rate approved by the Commission at Case No. 2006-00004.